Q 5. Calculate Current Ratio from the following information :

	₹		₹
Total Assets	12,00,000	Non Current Investments	1,40,000
Land and Building	6,00,000	Shareholder's Funds	8,50,000
Machinery	1,00,000	Non Current Liabilities	1,10,000

[Ans. Current Ratio 1.5 : 1]

Q. 8. The Current Ratio of a Company is 3 : 1. State giving reasons which of the following suggestions would (*i*) improve; (*ii*) reduce; (*iii*) not change; the Current Ratio:—

(*a*) Payment of Trade Payables.
(*b*) Sale of goods costing ₹20,000 for ₹20,000 for Cash.
(*c*) Sale of goods costing ₹20,000 for ₹18,000 on Credit.
(*d*) Sale of goods costing ₹20,000 at a profit of ₹1,000.
(*e*) Purchase of goods on Credit.
(*f*) Purchase of goods for Cash.
(*g*) Purchase of machinery against long-term loan.

[Ans. (*a*) Improve; (*b*) No change; (*c*) Reduce; (*d*) Improve; (*e*) Reduce; (*f*) No change; (*g*) No change.]

Q. 11. Calculate Current Ratio from the following :

Working Capital ₹1,92,000; Long-term Debt ₹80,000 and Total Debt ₹2,00,000.

[Ans. 2.6 : 1]

Q. 12. Calculate Current Ratio from the following :

Working Capital ₹4,80,000; Trade Payables ₹2,00,000 and Bank Overdraft ₹40,000.

[Ans. 3 : 1]

Q. 13. Calculate Current Ratio and Liquid Ratio from the following :

	₹
Cash and Cash Equivalents	40,000

Q. 15 (A). A firm had current assets of ₹4,10,000. It then paid trade payables of ₹50,000. After this payment, the current ratio was 2.4 : 1. Ascertain the amount of Current Liabilities and Working Capital after the payment.

[Ans. Current Liabilities ₹1,50,000; Working Capital ₹2,10,000.]

Q. 15 (B). A firm had current assets of ₹7,20,000. It then purchased goods for ₹30,000 on credit. After this purchase, the current ratio was 3 : 1. Ascertain the amount of Current Liabilities and Working Capital after the purchase.

[Ans. Current Liabilities ₹2,50,000; Working Capital ₹5,00,000.]

Q. 16 (A). Current Ratio 2 : 1, Quick Ratio 1.5 : 1, Current Liabilities ₹1,60,000. Calculate Current Assets, Quick Assets and Inventory.

[Ans. ₹3,20,000, ₹2,40,000, ₹80,000.]

Q. 16 (B). Current Ratio 2.5 : 1, Quick Ratio 0.95 : 1, Current Assets ₹17,00,000. Calculate Current Liabilities, Quick Assets and Inventory.

(C.B.S.E., Sample Paper 2015)

[Ans. ₹6,80,000, ₹6,46,000, ₹10,54,000.]

Q. 16 (C). Working Capital ₹5,40,000; Current Ratio 2.8 : 1; Inventory ₹3,30,000. Calculate Current Assets, Current Liabilities and Quick Ratio.

[Ans. ₹8,40,000; ₹3,00,000; 1.7 : 1.]

Q. 17. A business has a Current Ratio of 4 : 1 and a Quick Ratio of 1.2 : 1. If the Working Capital is ₹1,80,000, calculate the total Current Assets and Inventory.

[Ans. Current Assets ₹2,40,000; Inventory ₹1,68,000.]

Q. 18. Current Ratio 2.4; Current Assets ₹1,81,10,400; Inventories ₹79,23,300. Calculate the Liquid Ratio.

[Ans. Liquid Ratio 1.35.]

Q. 19. Quick Ratio 1.5; Current Assets ₹1,00,000; Current Liabilities ₹40,000. Calculate the value of Inventory.

[Ans. ₹40,000.]

Q. 22 (A). Current Assets ₹85,000; Inventory ₹22,000; Prepaid Expenses ₹3,000; Working Capital ₹45,000. Calculate Quick Ratio.

[**Ans.** Quick Ratio 1.5 : 1.]

Hints :— (*i*) Quick Assets = Current Assets – Inventory – Prepaid Expenses
(*ii*) Current Liabilities = Current Assets – Working Capital

Q. 22 (B). Quick Assets ₹90,000; Inventory ₹1,08,000; Prepaid Expenses ₹2,000; Working Capital ₹1,50,000. Calculate Current Ratio.

[**Ans.** Current Ratio 4 : 1.]

Hints :— (*i*) Current Assets = Quick Assets + Inventory + Prepaid Exp.
(*ii*) Current Liabilities = Current Assets – Working Capital

Q. 23. Working Capital ₹4,80,000; Total Debt ₹16,00,000; Long Term Debt ₹10,00,000; Inventory ₹3,40,000; Prepaid Insurance ₹20,000. Calculate liquid ratio.

[**Ans.** 1.2]

Q. 24. The ratio of Current Assets (₹32,00,000) to Current Liabilities (₹20,00,000) is 1.6 : 1. The accountant of the firm is interested in maintaining a Current Ratio of 2 : 1, by paying off a part of the Current Liabilities. Compute the amount of the Current Liabilities that should be paid, so that the Current Ratio at the level 2 : 1 may be maintained.

[**Ans.** Current liabilities to the extent of ₹8,00,000 should be paid to achieve the Current Ratio at the level of 2 : 1]

Q. 25. The ratio of Current Assets (₹5,00,000) to Current Liabilities is 2.5 : 1. The accountant of this firm is interested in maintaining a Current Ratio of 2 : 1 by acquiring some Current Assets on Credit. You are required to suggest him the amount of Current Assets which must be acquired for this purpose.

[**Ans.** Current Assets to the extent of ₹1,00,000 should be acquired on credit to maintain a Current Ratio of 2 : 1.]

Q. 29. Calculate Debt Equity Ratio from the following :

	₹
Tangible Fixed Assets	24,50,000
Intangible Fixed Assets	3,00,000
Current Assets	3,34,000
Current Liabilities	84,000
Long term Borrowings	16,00,000
Long term Provisions	1,50,000

[Ans. Debt Equity Ratio = 1.4 : 1]

Hint : Shareholder's Funds = Non Current Assets + Working Capital – Non Current Liabilities

= ₹12,50,000

Q. 30. Calculate Debt Equity Ratio from the following :

Total Assets ₹2,30,000; Total Debt ₹1,50,000; Current Liabilities ₹30,000.

[Ans. Debt Equity Ratio $= \dfrac{\text{Long term Debts}}{\text{Shareholder's Funds}} = 1.5 : 1$]

Q. 33. Compute Total Assets to Debt Ratio from the following information :

	₹		₹
Total Assets	35,00,000	Bills Payables	20,000
Total Debts	32,00,000	Short-term Borrowings	1,00,000
Creditors	2,50,000	Outstanding Expenses	30,000

[Ans. Total Assets to Debt Ratio = 1.25 : 1]

Q. 35. From the following information, calculate Total Assets to Debt Ratio :

	₹		₹
8% Debentures	30,00,000	Share Capital	20,00,000
Loan from Bank	10,00,000	Reserve and Surplus	5,00,000
Short term Borrowings	8,60,000	Surplus, *i.e.*, Balance in Statement of Profit & Loss	2,20,000

[Ans. 1.84 : 1]

Hint. Surplus *i.e.*, Balance in Statement of Profit & Loss will be ignored since it is already included in Reserve and Surplus.

Q. 38. Following particulars are extracted from the books of Bharat Rubber Ltd.:

	₹
Share Capital	3,20,000
General Reserve	1,00,000
Profit & Loss Balance	48,000
9% Debentures	1,20,000
Current Liabilities	3,04,000

You are required to work out the following ratios :—

(*i*) Debt-Equity Ratio; (*ii*) Total Assets to Debt Ratio; and (*iii*) Proprietary Ratio.

[Ans. (*i*) Debt-Equity Ratio $= \dfrac{\text{Long term Debts}}{\text{Shareholder's Funds}} = .26 : 1$

(*ii*) Total Assets to Debt Ratio $= \dfrac{\text{Total Assets}}{\text{Long term Debts}} = 7.43 : 1$

(*iii*) Proprietary Ratio $= \dfrac{\text{Shareholder's Funds}}{\text{Total Assets}} \times 100 = 52.47\%$]

Q. 41. Calculate the value of Current Assets of X Ltd. from the following information :

	₹
Equity Share Capital	25,00,000
6% Preference Share Capital	5,00,000
General Reserve	8,00,000
Profit & Loss Balance	(2,00,000)
Fixed Assets	30,00,000
Proprietary Ratio	0.75 : 1

[Ans. Current Assets ₹18,00,000.]

Q. 13. From the following information, calculate interest coverage ratio and give your comments also :

	₹
Net Profit after Interest and Tax	1,20,000
Rate of Income Tax	50%
15% Debentures	1,00,000
12% Mortgage Loan	1,00,000

[Ans. Interest Coverage Ratio = 9.89 times.]

Comments : An interest coverage ratio of 6 to 7 times is considered appropriate. As the actual interest coverage ratio of this company is nearly 10 times, it means that the company will be able to pay the interest on long-term loans regularly.

Q. 14. The following particulars are given to you :

	₹
Share Capital	1,00,000
Reserve and Surplus	1,50,000
Current Liabilities	4,00,000
Current Assets	5,50,000
Tangible Fixed Assets	7,00,000
Loans @10%	4,00,000
12% Debentures	2,00,000

Net Profit for the year after interest and tax was ₹96,000. Rate of Income Tax was 50%.

Calculate (*i*) Debt Equity Ratio; (*ii*) Proprietary Ratio; and (*iii*) Interest Coverage Ratio.

Also give your comments.

[Ans. (*i*) Debt-Equity Ratio $= \dfrac{\text{Long term Debts}}{\text{Shareholder's Funds}} = 2.4 : 1$

(*ii*) Proprietary Ratio $= \dfrac{\text{Shareholder's Funds}}{\text{Total Assets}} \times 100 = 20\ \%$

(*iii*) Interest Coverage Ratio = 4 times

Comments : (*i*) Debt-Equity Ratio of the Company is not satisfactory because it is more than the acceptable norms of 2 : 1. It shows risky financial position from the long-term point of view.

(*ii*) Proprietary Ratio is only 20% which means that the long-term financial position of the Company is not satisfactory because only 20% of the total assets of the company are funded by equity.

(*iii*) Normally acceptable interest-coverage ratio is 6 or 7 times, whereas the actual ratio for this company is 4. It means that the company may face difficulty in paying the interest on long-term loans regularly.

Q. 46. Calculate Inventory Turnover Ratio from the following :

	₹
Purchases	3,46,000
Returns Outwards	10,000
Carriage Inwards	15,000
Carriage Outwards	20,000
Wages	25,000
Salaries	40,000
Rent	36,000
Opening Inventory	72,000
Closing Inventory	88,000

[Ans. Inventory Turnover Ratio 4.5 times.]

Hint. Carriage Outwards, Salaries and Rent will be ignored while calculating Inventory Turnover Ratio.

Q. 49. From the following data, calculate 'Inventory Turnover Ratio' when gross profit ratio is given 20% :

	₹
Cash Sales	1,50,000
Credit Sales	2,50,000
Return Inward	25,000
Opening Inventory	25,000
Closing Inventory	35,000

[Ans. 10 Times]

Q. 53. Compute Inventory Turnover Ratio from the following :

	₹
Cost of Revenue from Operations (Cost of Goods Sold)	5,60,000
Purchases	4,40,000
Wages	1,30,000
Carriage Inwards	15,000
Opening Inventory	75,000

[Ans. Closing Inventory ₹1,00,000; Inventory Turnover Ratio 6.4 times]

Hint. Wages and Carriage Inwards are direct expenses. Hence, these will be included in cost of revenue from operations.

Q. 56. Calculate Opening Inventory from the following information :

Purchases ₹5,70,000; Freight ₹20,000; Miscellaneous Expenses ₹10,000; Revenue from Operations (Sales) ₹5,00,000; Closing Inventory ₹70,000; Gross Loss 16% on Revenue from Operations.

[Ans. Opening Inventory ₹60,000.]

Hints : (*i*) Freight is a component of Direct Expenses. Hence, it will be included in Cost of revenue from Operations.

(*ii*) Miscellaneous Expenses being indirect expenses will not be included in Cost of revenue from Operations.

Q. 60. Cash Revenue from Operations (Cash Sales)	₹1,00,000
Credit Revenue from Operations (Credit Sales)	₹5,00,000
Gross Profit	₹1,20,000
Inventory Turnover Ratio	4 times

Calculate the value of Opening and Closing Inventory in each of the following alternative cases :

Case I If closing inventory was ₹1,00,000 in excess of opening inventory.
Case II If closing inventory was 2 times that in the beginning.
Case III If closing inventory was 2 times **more** than that in the beginning.
Case IV If closing inventory was 3 times that in the beginning.

[Ans.

	Opening Inventory	Closing Inventory
	₹	₹
Case I	70,000	1,70,000
Case II	80,000	1,60,000
Case III	60,000	1,80,000
Case IV	60,000	1,80,000]

Q. 63. Determine the amount of Revenue from Operations from the following particulars :—

Opening Inventory	₹40,000
Inventory Turnover Ratio	6 times

Gross Profit 20% of Revenue from Operations (Sales)

You are informed that closing inventory is two times in comparison to opening inventory.

[Ans. Revenue from Operations ₹4,50,000.]

Q. 67. Calculate Trade Receivables Turnover Ratio and Average Collection Period from the following :—

	₹
Total Revenue from Operations for the year (Total Sales)	12,00,000
Credit Revenue from Operations (Credit Sales) : 70% of Total Revenue from Operations	
Revenue from Operations Returns (Sales Returns) (out of Credit Revenue from Operations)	40,000
Opening Trade Receivables	73,250
Closing Trade Receivables	86,750

[Ans. Trade Receivables Turnover Ratio 10 Times; Average Collection Period 37 days.]

Q. 71. From the following particulars determine the Opening Trade Receivables :

Credit Revenue from Operations (Credit Sales)	₹4,32,000
Trade Receivables turnover Ratio	12 Times
Closing Trade Receivables	₹40,000

[**Ans.** Opening Trade Receivables ₹32,000.]

(ii) Closing Trade Receivables ₹72,000]

Q. 74. Calculate the amount of Opening Trade Receivables and Closing Trade Receivables from the following particulars :

Cost of Revenue from Operations (Cost of Goods Sold)	: ₹9,00,000
Gross Profit on Revenue from Operations (Sales)	: 25%
Cash Revenue from Operations	: 20% of Credit Revenue from Operations
Trade Receivables Turnover Ratio	: 5 Times

Closing Trade Receivables were 3 times than that in the beginning.

[Ans. Opening Trade Receivables ₹1,00,000; Closing Trade Receivables ₹3,00,000.]

Q. 75. Calculate Closing Trade Receivables from the following information :

Cost of Revenue from Operations	:	₹16,00,000
Gross Profit on Cost	:	25%
Cash Revenue from Operations	:	25% of Credit Revenue from Operations
Trade Receivables Turnover Ratio	:	5 Times

Closing Trade Receivables were 1.5 times than that in the beginning.

[Ans. Closing Trade Receivables ₹3,84,000.]

Hint : Ratio between Opening and Closing Trade Receivables 2 : 3.

Q. 78. Calculate Trade Payables Turnover Ratio and Average Payment Period from the following :

	₹
Total Purchases	24,00,000
Cash Purchases	6,40,000
Purchases Returns (out of credit purchases)	60,000
Opening Balance of Creditors	3,00,000
Opening Balance of Bills Payables	20,000
Closing Balance of Creditors	3,50,000
Closing Balance of Bills Payables	10,000

[Ans. Trade Payables turnover Ratio 5 times; Average Payment Period 73 days.]

Q.81. Calculate Working Capital Turnover Ratio from the following :

	₹
Inventory	6,00,000
Trade Receivables	5,00,000
Cash	1,00,000
Trade Payables	2,00,000
Bank Overdraft	1,20,000
Cost of Revenue from Operations (Cost of Goods Sold)	52,80,000

[Ans. Working Capital Turnover Ratio 6 Times.]

Q. 83 Calculate Working Capital Turnover Ratio from the following information:

	₹
Inventory	3,10,000
Trade Receivables	1,30,000
Cash	20,000
Trade Payables	60,000
Cost of Revenue from Operations	30,40,000
G.P.	24% of Sales

[**Ans.** Working Capital Turnover Ratio $= \dfrac{\text{Net Revenue from Operations}}{\text{Working Capital}} = 10$ Times.]